UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________.

Commission file number: 001-40973

AirSculpt Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**87-1471855**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 Lincoln Road, Suite 802	
Miami Beach, FL	**33139**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(786) 709-9690**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	AIRS	The Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 57,569,952 shares of common stock outstanding as of May 9, 2024.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and in other sections of this Quarterly Report on Form 10-Q that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue," the negative of these terms and other comparable terminology, but the absence of these words does not mean that a statement is not forward-looking. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. You are cautioned that there are important risks and uncertainties, many of which are beyond our control, that could cause our actual results, level of activity, performance or achievements to differ materially from the projected results, level of activity, performance or achievements that are expressed or implied by such forward-looking statements, including those factors discussed in the section titled "Risk Factors" in our Annual Report on Form 10-K. We qualify all of our forward-looking statements by these cautionary statements.

Our future results could be affected by a variety of other factors, including, but not limited to, failure to open and operate new centers in a timely and cost-effective manner; inability to open new centers due to rising interest rates and increased operating expenses due to rising inflation; increased competition in the weight loss and obesity solutions market, including
as a result of the recent regulatory approval, increased market acceptance, availability and customer awareness of
weight-loss drugs; shortages or quality control issues with third-party manufacturers or suppliers; competition for surgeons; litigation or medical malpractice claims; inability to protect the confidentiality of our proprietary information; changes in the laws governing the corporate practice of medicine or fee-splitting; changes in the regulatory, macroeconomic conditions, including inflation and the threat of recession, economic and other conditions of the states and jurisdictions where our facilities are located; and business disruption or other losses from war, pandemic, terrorist acts or political unrest.

The risk factors discussed in the section titled "Item 1A. Risk Factors" in our Annual Report on Form 10-K could cause our results to differ materially from those expressed in the forward-looking statements made in this Quarterly Report on Form 10-Q and in other filings we make from time to time with the U.S. Securities and Exchange Commission. There also may be other risks and uncertainties that are currently unknown to us or that we are unable to predict at this time.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Forward-looking statements represent our estimates and assumptions only as of the date they were made, which are inherently subject to change, and we are under no duty and we assume no obligation to update any of the forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, after the date of this Quarterly Report on Form 10-Q to conform our prior statements to actual results or revised expectations, except as required by law. Given these uncertainties, investors should not place undue reliance on these forward-looking statements.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

AirSculpt Technologies, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

($000s, except for shares)	March 31, 2024 (Unaudited)	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 10,969	$ 10,262
Taxes receivable	151	1,941
Prepaid expenses and other current assets	3,874	3,758
Total current assets	14,994	15,961
Property and equipment, net	29,781	28,908
Other long-term assets	6,047	5,657
Right of use operating lease assets	25,001	25,413
Intangible assets, net	45,157	46,346
Goodwill	81,734	81,734
Total assets	$ 202,714	$ 204,019
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 4,322	$ 3,922
Accrued payroll and benefits	2,479	4,127
Current portion of long-term debt	2,656	2,125
Deferred revenue and patient deposits	2,038	1,463
Accrued and other current liabilities	4,677	3,303
Current operating lease liabilities	5,593	5,375
Total current liabilities	21,765	20,315
Long-term debt, net	68,522	69,503
Deferred tax liability, net	6,828	6,828
Long-term operating lease liabilities	22,096	22,665
Other long-term liabilities	—	716
Total liabilities	119,211	120,027
Commitments and contingent liabilities (Note 9)		
Stockholders' equity		
Common stock, $0.001 par value; shares authorized - 450,000,000; shares issued and outstanding - 57,537,393 and 57,355,676, respectively	58	57
Additional paid-in capital	97,219	103,898
Accumulated other comprehensive loss	(252)	(412)
Accumulated deficit	(13,522)	(19,551)
Total stockholders' equity	83,503	83,992
Total liabilities and stockholders' equity	$ 202,714	$ 204,019

The accompanying notes are an integral part of these condensed consolidated financial statements.

AirSculpt Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)

(in $000s, except for shares and per share figures)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenue	$ 47,620	$ 45,813
Operating expenses:		
Cost of service (exclusive of depreciation and amortization)	18,042	18,017
Selling, general and administrative[(1)]	15,756	23,882
Depreciation and amortization	2,805	2,336
Loss/(gain) on disposal of long-lived assets	5	(184)
Total operating expenses	36,608	44,051
Income from operations	11,012	1,762
Interest expense, net	1,532	1,735
Pre-tax net income	9,480	27
Income tax expense	3,451	41
Net income/(loss)	$ 6,029	$ (14)
Income/(loss) per share of common stock		
Basic	$ 0.10	$ (0.00)
Diluted	$ 0.10	$ (0.00)
Weighted average shares outstanding		
Basic	57,422,058	56,443,370
Diluted	58,415,163	56,443,370

(1) As of the three months ended March 31, 2024, this amount contains a cumulative reversal of stock compensation expense of $10.4 million related to reassessing the probability of achieving the performance target on certain of the Company's performance-based stock units. See Note 6 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion.

The accompanying notes are an integral part of these condensed consolidated financial statements.

AirSculpt Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Other Comprehensive Income/(Loss) (Unaudited)

	Three Months Ended March 31,	
($000s)	**2024**	**2023**
Net income/(loss)	$ 6,029	$ (14)
Other comprehensive income:		
Change in foreign currency translation adjustment	160	22
Total other comprehensive income	160	22
Comprehensive income	$ 6,189	$ 8

The accompanying notes are an integral part of these condensed consolidated financial statements.

AirSculpt Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

($000s, except shares and per share figures)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance at December 31, 2022	56,181,689	$ 56	$ 85,858	$ (76)	$ (15,072)	$ 70,766
Issuance of common stock through unit vesting	529,571	—	—	—	—	—
Dividends	—	—	66	—	—	66
Equity-based compensation	—	—	4,388	—	—	4,388
Net loss	—	—	—	—	(14)	(14)
Other comprehensive income	—	—	—	22	—	22
Balance at March 31, 2023	56,711,260	$ 56	$ 90,312	$ (54)	$ (15,086)	$ 75,228
Balance at December 31, 2023	57,355,676	$ 57	$ 103,898	$ (412)	$ (19,551)	$ 83,992
Issuance of common stock through unit vesting	181,717	1	—	—	—	1
Dividends	—	—	479	—	—	479
Equity-based compensation	—	—	(6,781)	—	—	(6,781)
Payment of taxes withheld through vested equity-based compensation	—	—	(377)	—	—	(377)
Net income	—	—	—	—	6,029	6,029
Other comprehensive income	—	—	—	160	—	160
Balance at March 31, 2024	57,537,393	$ 58	$ 97,219	$ (252)	$ (13,522)	$ 83,503

The accompanying notes are an integral part of these condensed consolidated financial statements.

AirSculpt Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

($000s)	Three Months Ended March 31, 2024	2023
Cash flows from operating activities		
Net income/(loss)	$ 6,029	$ (14)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation and amortization	2,805	2,336
Equity-based compensation	(6,781)	4,388
Non-cash interest expense; amortization of debt costs	81	259
Changes in assets and liabilities		
Taxes receivable	1,790	88
Prepaid expense and other current assets	(111)	456
Other assets	23	(5,661)
Accounts payable	(527)	85
Deferred revenue and patient deposits	575	1,533
Accrued and other liabilities	(519)	2,749
Net cash provided by operating activities	3,365	6,219
Cash flows from investing activities		
Purchases of property and equipment, net	(1,562)	(3,815)
Net cash used in investing activities	(1,562)	(3,815)
Cash flows from financing activities		
Payment on term loan	(531)	(531)
Dividends paid to shareholders	(13)	(206)
Payment of taxes withheld through vested equity-based compensation	(377)	—
Other financing activity	(175)	—
Net cash used in financing activities	(1,096)	(737)
Net increase in cash and cash equivalents	707	1,667
Cash and cash equivalents		
Beginning of period	10,262	9,616
End of period	$ 10,969	$ 11,283
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,478	$ 1,735
Cash paid for taxes	$ 249	$ —
Supplemental disclosure of non-cash investing information:		
Property and equipment included in accounts payable and accrued expenses	$ 927	$ 411

The accompanying notes are an integral part of these condensed consolidated financial statements.

AirSculpt Technologies, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 – ORGANIZATION AND SUMMARY OF KEY ACCOUNTING POLICIES

AirSculpt Technologies, Inc. ("AirSculpt" or the "Company"), was formed as a Delaware corporation on June 30, 2021. On October 28, 2021, AirSculpt completed an initial public offering ("IPO") of 8,050,000 shares of common stock at an initial public offering price of $11.00 per share. Immediately following the IPO, AirSculpt's total outstanding shares were 55,640,154. Pursuant to a reorganization (the "Reorganization") among entities under common control immediately prior to the IPO, AirSculpt became a holding company with its principal asset being 100% of the ownership interests in EBS Intermediate Parent LLC. The Company's revenues are concentrated in the specialty, minimally invasive liposuction market. The operations of the Company prior to the IPO represent the predecessor to AirSculpt. The Company and its consolidated subsidiaries are referred to collectively in this Quarterly Report on Form 10-Q ("10-Q Report") as "we," "our," and "us." Solely for convenience, some of the copyrights, trade names and trademarks referred to in this 10-Q Report are listed without their ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our copyrights, trade names and trademarks.

The Company, through its wholly-owned subsidiaries, is a provider of practice management services to professional associations ("PAs") located throughout the United States, Canada, and the United Kingdom. The Company owns and operates non-clinical assets and provides its management services to the PAs through management services agreements ("MSAs"). Management services provide for the administration of the non-clinical aspects of the medical operations and include, but are not limited to, financial, administrative, technical, marketing, and personnel services. Pursuant to the MSA, the PA is responsible for all clinical aspects of the medical operations of the practice.

Principles of Consolidation

These consolidated financial statements present the financial position and results of operations of the Company, its wholly-owned subsidiaries, and the PAs, which are under the control of the Company and are considered variable interest entities in which the Company is the primary beneficiary.

All intercompany accounts and transactions have been eliminated in consolidation.

Variable Interest Entities

The Company has a variable interest in the managed PAs where it has a long-term and unilateral controlling financial interest over such PAs' assets and operations. The Company has the ability to direct the activities that most significantly affect the PAs' economic performance via the MSAs and related agreements. The Company is a practice management service organization and does not engage in the practice of medicine. These services are provided by licensed professionals at each of the PAs. Certain key features of the MSAs and related agreements enable the Company to assign the member interests of certain of the PAs to another member designated by the Company (i.e., "nominee shareholder") for a nominal value in certain circumstances at the Company's sole discretion. The MSA does not allow the Company to be involved in, or provide guidance on, the clinical operations of the PAs. The Company consolidates the PAs into the financial statements. All of the Company's revenue is earned from services provided by the PAs. The only assets and liabilities held by the PAs included in the accompanying consolidated balance sheets are clinical related. The clinical assets and liabilities are not material to the Company as a whole.

Basis of Presentation

The condensed consolidated balance sheet as of March 31, 2024, and the condensed consolidated statements of operations, stockholders' equity, and cash flows for the three months ended March 31, 2024 and 2023 are unaudited. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect, in the opinion of management, all adjustments of a normal and recurring nature that are necessary for the fair statement of the Company's financial position as of March 31, 2024 and the results of operations and cash flows for the three months ended March 31, 2024 and 2023. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The financial data and the other financial information disclosed in these notes to the condensed consolidated financial statements related to the three months ended March 31, 2024 and 2023 are also unaudited. The consolidated results of operations for the three months ended March 31, 2024 are not necessarily indicative of results to be expected for the year ending December 31, 2024 or for any other future annual or interim period.

The condensed consolidated balance sheet as of December 31, 2023 is derived from the Company's annual audited consolidated financial statements for the year ended December 31, 2023, which should be read in conjunction with these condensed consolidated financial statements and which are included in the Company's Annual Report dated February 27, 2024 filed with the Securities and Exchange Commission ("SEC") pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, as well as interests in PAs controlled by the Company through rights granted to the Company by contract to manage and control the affiliate's business (as described in "Variable Interest Entities" above). All significant intercompany balances and transactions are eliminated in consolidation.

Revenue Recognition

Revenue consists primarily of revenue earned for the provision of the Company's patented AirSculpt® procedures. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company's performance obligations are delivery of specialty, minimally invasive liposuction services.

The Company assists patients, as needed, by providing third-party financing options to pay for procedures. The Company has arrangements with various financing companies to facilitate this option. There is a financing transaction fee based on a set percentage of the amount financed and the Company recognizes revenue based on the expected transaction price which is reduced for financing fees.

Revenue for services is recognized when the service is performed. Payment is typically rendered in advance of the service. Customer contracts generally do not include more than one performance obligation.

The Company's policy is to require payment for services in advance. Payments received for services that have yet to be performed as of March 31, 2024 and December 31, 2023 are included in deferred revenue and patient deposits.

Deferred Financing Costs, Net

Loan costs and discounts are capitalized in the period in which they are incurred and amortized on the straight-line basis over the term of the respective financing agreement which approximates the effective interest method. These costs are included as a reduction of long-term debt on the condensed consolidated balance sheets. Total amortization of deferred financing costs was approximately $0.1 million and $0.3 million for the three months ended March 31, 2024 and 2023, respectively. Amortization of loan costs and discounts is included as a component of interest expense.

Long-Lived Assets

The Company accounts for impairment of long-lived assets in accordance with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, *Intangibles – Goodwill and Other* and Topic 360, *Impairment or Disposal of Long-Lived Assets*. These standards require that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future estimated cash flows expected to arise as a direct result of the use and eventual disposition of the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. No impairment charges were recognized for the three months ended March 31, 2024 and 2023.

Fair Value

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosure requirements about fair value measurements.

ASC Topic 820 defines three categories for the classification and measurement of assets and liabilities carried at fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

The fair value of financial instruments is generally estimated through the use of public market prices, quotes from financial institutions and other available information. Judgment is required in interpreting data to develop estimates of market value and, accordingly, amounts are not necessarily indicative of the amounts that could be realized in a current market exchange.

Short-term financial instruments, including cash, prepaid expenses and other current assets, accounts payable, and other liabilities, consist primarily of instruments without extended maturities, for which the fair value, based on management's estimates, approximates their carrying values. Borrowings bear interest at what is estimated to be current market rates of interest, accordingly, carrying value approximates fair value.

Earnings Per Share

Basic earnings per share of common stock is computed by dividing net income/(loss) for the three months ended March 31, 2024 and 2023 by the weighted-average number of shares of common stock outstanding during the same period. Diluted earnings per share of common stock is computed by dividing net income/(loss) for the three months ended March 31, 2024 and 2023 by the weighted-average number of shares of common stock adjusted to give effect to potentially dilutive securities.

Advertising Costs

Advertising costs are expensed in the period when the costs are incurred and are included as a component of selling, general and administrative costs. Advertising expenses were approximately $8.4 million and $6.1 million for the three months ended March 31, 2024 and 2023, respectively.

Income Taxes

The Company applies the provisions of ASC 740-10, *Accounting for Uncertain Tax Positions* ("ASC 740-10"). Under these provisions, companies must determine and assess all material positions existing as of the reporting date, including all significant uncertain positions, for all tax years that are open to assessment or challenge under tax statutes. Additionally, those positions that have only timing consequences are analyzed and separated based on ASC 740-10's recognition and measurement model.

ASC 740-10 provides guidance related to uncertain tax positions for pass-through entities and tax-exempt not-for profit entities. ASC 740-10 also modifies disclosure requirements related to uncertain tax positions for nonpublic entities and provides that all entities are subject to ASC 740-10 even if the only tax position in question is the entity's status as a pass-through.

As required by the uncertain tax position guidance, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the condensed consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open and determined that there are no uncertain tax positions as of March 31, 2024 or December 31, 2023. The Company is not subject to U.S. federal tax examination prior to 2021, when it was formed.

The Company has an effective tax rate of approximately 36.4% and 151.9% for the three months ended March 31, 2024 and 2023, respectively, inclusive of all applicable U.S. federal and state income taxes.

Recent Accounting Pronouncements

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures*, which requires enhanced disclosures of significant segment expenses. The ASU is effective for annual periods beginning after December 15, 2023 and interim periods beginning after December 15, 2024. The amendments in this ASU must be applied retrospectively to all periods presented and early adoption is permitted. The Company is evaluating the impact of this ASU on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures*, which establishes new requirements for the categorization and disaggregation of information in the rate reconciliation as well as for disaggregation of income taxes paid. The ASU is effective for annual periods beginning after December 15, 2024 and interim periods beginning after December 15, 2025. The amendments in this ASU may be applied prospectively or retrospectively to all periods presented and early adoption is permitted. The Company is evaluating the impact of this ASU on its consolidated financial statements.

NOTE 2 – GOODWILL AND INTANGIBLES, NET

The annual review of goodwill impairment will be performed in October 2024. There were no triggering events during the three months ended March 31, 2024 and 2023.

The Company had goodwill of $81.7 million at March 31, 2024 and December 31, 2023.

Intangible assets consisted of the following at March 31, 2024 and December 31, 2023 (in 000's):

	March 31, 2024	December 31, 2023	Useful Life
Technology and know-how	$ 53,600	$ 53,600	15 years
Trademarks and tradenames	17,700	17,700	15 years
	71,300	71,300	
Accumulated amortization of technology and know-how	(19,653)	(18,759)	
Accumulated amortization of tradenames and trademarks	(6,490)	(6,195)	
Total intangible assets	$ 45,157	$ 46,346	

Amortization of intangible assets will be $4.8 million per year for each of the next five fiscal years.

Aggregate amortization expense on intangible assets was approximately $1.2 million for both of the three months ended March 31, 2024 and 2023.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

As of March 31, 2024 and December 31, 2023 property and equipment consists of the following: (in 000's):

	March 31, 2024	December 31, 2023
Medical equipment	$ 11,688	$ 11,576
Office and computer equipment	893	860
Furniture and fixtures	4,508	4,280
Leasehold improvements	24,253	21,982
Construction in progress	1,743	1,910
Less: Accumulated depreciation	(13,304)	(11,700)
Property and equipment, net	$ 29,781	$ 28,908

Depreciation expense was approximately $1.6 million and $1.2 million for the three months ended March 31, 2024 and 2023, respectively.

NOTE 4 – DEBT

On November 7, 2022, the Company entered into a credit agreement with a syndicate of lenders (the "Credit Agreement") maturing November 7, 2027. Pursuant to the Credit Agreement, there is (i) an $85.0 million aggregate principal amount of term loans and (ii) a revolving loan facility in an aggregate principal amount of up to $5.0 million. The proceeds were used, in part, to pay off the Company's $83.6 million outstanding principal balance under its previous credit facility. On September 29, 2023, the Company voluntarily pre-paid $10.0 million of the principal balance of the term loans under the Credit Agreement using cash on hand.

Under the Credit Agreement, all outstanding loans bear interest based on either a base rate or SOFR plus an applicable per annum margin. The applicable per annum margin is 2.0% or 3.0% for base rate or SOFR, respectively, if the Company's total leverage ratio is equal to or greater than 2.0x. If the Company's total leverage ratio is equal to or greater than 1.0x and less than 2.0x, the applicable per annum margin is 1.5% or 2.5% for base rate or SOFR, respectively. If the Company's total leverage ratio is below 1.0x, the applicable per annum margin is 1.0% or 2.0% for base rate or SOFR, respectively. As of March 31, 2024, the interest rate was 7.83%.

Total borrowings as of March 31, 2024 and December 31, 2023 were as follows (in 000's):

	March 31, 2024	December 31, 2023
Term loan	$ 72,344	$ 72,875
Unamortized debt discounts and issuance costs	(1,166)	(1,247)
Total debt, net	71,178	71,628
Less: Current portion	(2,656)	(2,125)
Long-term debt, net	$ 68,522	$ 69,503

As of March 31, 2024 and December 31, 2023, the Company had $5.0 million available on the revolving credit facility.

The scheduled future maturities of long-term debt as of March 31, 2024 is as follows (in 000's):

Year ending December 31,	
2024 (excluding the three months ended March 31, 2024)	$ 1,594
2025	4,250
2026	6,375
2027	60,125
Total maturities	$ 72,344

All borrowings under the Credit Agreement are cross collateralized by substantially all assets of the Company and are subject to certain restrictive covenants including quarterly total leverage ratio and fixed charge ratio requirements. The Company is in compliance with all covenants and has no letter of credit outstanding as of March 31, 2024 and December 31, 2023.

NOTE 5 – LEASES

The Company's operating leases are primarily for real estate, including medical office suites and corporate offices. For the three months ended March 31, 2024 and 2023, the Company incurred rent expense of $1.5 million and $1.5 million, respectively, for its medical office suites. The Company's rent expense related to its medical office suites is classified in cost of services within the Company's condensed consolidated statements of operations. The Company incurred rent expense of $0.1 million and $0.1 million for the three months ended March 31, 2024 and 2023, respectively, related to the corporate offices which is classified in selling, general and administrative expenses. The Company currently does not have any finance leases.

Real estate lease agreements typically have initial terms of five to ten years and may include one or more options to renew. The useful life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The Company's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

The following table presents supplemental cash flow information for the three months ended March 31, 2024 and 2023 (in 000's):

	March 31, 2024	March 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 1,469	$ 1,253
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 930	$ 7,870

Future minimum rental payments under all non-cancellable operating lease agreements for the succeeding five years are as follows, excluding common area maintenance charges that may be required by the agreements, as of March 31, 2024 (in 000's):

2024 (excluding the three months ended March 31, 2024)	$ 5,079
2025	6,877
2026	6,872
2027	6,292
2028	5,411
Thereafter	13,208
Total lease payments	43,739
Less: imputed interest	(16,051)
Total lease obligations	$ 27,688

NOTE 6 – STOCKHOLDERS' EQUITY AND EQUITY-BASED COMPENSATION

During the three months ended March 31, 2024 and 2023, the Company granted 411,456 and 608,955 restricted stock units ("RSUs") to executive officers and employees under the 2021 Equity Incentive Plan. These RSUs are not considered outstanding until vested. These RSUs have a time-based vesting condition. These units will vest 1/3 per year over three years. Vesting and payment of these RSUs are generally subject to continuing service of the employee or non-employee director over the requisite vesting periods beginning one year from the date of grant to three years after the date of grant. The fair values of these RSUs were determined based on the closing price of the Company's common stock on the trading date immediately prior to the grant date. These RSUs are not considered outstanding until vested.

During the three months ended March 31, 2024 and 2023, the Company also granted 407,688 and 585,588 performance based stock units ("PSUs") which have market-based vesting conditions. The vesting is based on achievement of a total shareholder return relative to a specified peer group (“rTSR”) within the three year performance period. Based on the rTSR, the PSUs can settle in shares in a range from 0% to 200%. In addition to the achievement of the performance conditions, these PSUs are generally subject to the continuing service of the employee over the requisite vesting period from the earned date continuing through the settlement of the shares. For these PSUs, the shares settle in the first quarter of the year following the year in which the vesting criteria is met. The fair values of PSUs with a market-based vesting condition were estimated using a Monte Carlo simulation model.

In connection with the IPO, on November 4, 2021 the Company previously granted PSUs with performance-based vesting conditions to certain employees. The performance-based conditions include PSUs that can vest upon achieving specified stock price performance targets (the "Price Targets"), and the remaining PSUs can vest upon achieving a revenue performance target in any trailing twelve month period up to December 31, 2024 (the "Revenue Target"). During the three months ended March 31, 2024, the Company reassessed the probability of achieving the Revenue Target and determined such achievement is improbable based on current facts and circumstances. As a result, the Company recorded a $10.4 million cumulative reversal of stock compensation expense related to the unvested PSUs attributable to the Revenue Target in the three months ended March 31, 2024.

The Company recorded equity-based compensation expense of $(6.8) million and $4.4 million for the three months ended March 31, 2024 and 2023, respectively, in selling, general and administrative expenses on the condensed consolidated statements of operations. Forfeitures are recognized as incurred.

The Company paid dividends of approximately $13.0 thousand and $206.0 thousand for the three months ended March 31, 2024 and 2023, respectively.

NOTE 7 – EARNINGS PER SHARE

Basic earnings per share of common stock is computed by dividing net income/(loss) for the three months ended March 31, 2024 and 2023 by the weighted-average number of shares of common stock outstanding during the same period. Diluted earnings per share of common stock is computed by dividing net income/(loss) for the three months ended March 31, 2024 and 2023 by the weighted-average number of shares of common stock adjusted to give effect to potentially dilutive securities.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net income/(loss) per share of common stock is as follows (in 000’s except for shares and per share figures):

	Three Months Ended March 31,	
	2024	**2023**
Numerator:		
Net income/(loss)	$ 6,029	$ (14)
Denominator:		
Weighted average shares of common stock outstanding - basic	57,422,058	56,443,370
Add: Effect of dilutive securities	993,105	—
Weighted average shares of common stock outstanding - diluted	58,415,163	56,443,370
Income/(loss) per share of common stock outstanding - basic and diluted	$ 0.10	$ (0.00)

The following number of potentially dilutive shares were excluded from the calculation of diluted income/(loss) per share because the effect of including such potentially dilutive shares would have been antidilutive.

	Three Months Ended March 31,	
	2024	**2023**
Restricted stock units	1,311,435	1,947,898
Performance and market-based stock units	1,941,518	2,420,096

NOTE 8 – INCOME TAXES

The Company's income tax (benefit)/expense for the three months ended March 31, 2024 and 2023 was $3.5 million and $0.0 million, and the effective tax rates was 36.4% and 151.9%. The main driver of the difference between the effective and statutory rate is non-deductible executive compensation under Section 162(m) of the Internal Revenue Code. There are no uncertain tax positions as of March 31, 2024 or December 31, 2023.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Professional Liability

In the ordinary course of business, the Company becomes involved in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services provided by the PAs employed and affiliated physicians. The Company may also become subject to other lawsuits which could involve large claims and significant costs. The Company believes, based upon a review of pending actions and proceedings, that the outcome of such legal actions and proceedings will not have a material adverse effect on its business, financial condition, results of operations, and cash flows. The outcome of such actions and proceedings, however, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

Although the Company currently maintains liability insurance coverage intended to cover professional liability and certain other claims, the Company cannot assure that its insurance coverage will be adequate to cover liabilities arising out of claims asserted against it in the future where the outcomes of such claims are unfavorable. Liabilities in excess of the Company's insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

NOTE 10 – SEGMENT INFORMATION

The Company has one reportable segment: direct medical procedure services. This segment is made up of facilities and medical staff that provide the Company's patented AirSculpt® procedures to patients. Segment information is presented in the same manner that the Company's chief operating decision maker ("CODM") reviews the operating results in assessing performance and allocating resources. The Company's CODM is the Company's chief executive officer. The CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources. The Company's CODM reviews revenue, gross profit and Adjusted EBITDA. Gross profit is defined as revenues less cost of service incurred and Adjusted EBITDA as net income/(loss) excluding depreciation and amortization, net interest expense, income tax expense, restructuring and related severance costs, loss/(gain) on disposal of long-lived assets, and equity-based compensation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and related notes and other financial information appearing in our Annual Report on Form 10-K dated March 10, 2023 filed with the Securities and Exchange Commission ("SEC") pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). This discussion and analysis contains forward-looking statements that involve risk, uncertainties and assumptions. See the section entitled "Cautionary Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q. Our actual results could differ materially from those anticipated in the forward-looking statements.

Unless otherwise indicated or the context otherwise requires, references in this Quarterly Report on Form 10-Q to the "Company," "AirSculpt," "we," "us" and "our" refer to AirSculpt Technologies, Inc. and its consolidated subsidiaries and the Professional Associations.

Overview

AirSculpt is an experienced, fast-growing national provider of body contouring procedures delivering a premium consumer experience. At AirSculpt, we provide custom body contouring using our proprietary AirSculpt® method that removes unwanted fat in a minimally invasive procedure, producing dramatic results. We now deliver our AirSculpt® procedures through a growing nationwide footprint of 27 centers across 18 states, Canada, and the United Kingdom as of May 10, 2024.

For the three months ended March 31, 2024, we performed 3,746 cases and generated approximately $47.6 million of revenue, compared to 3,640 cases and $45.8 million in revenue for the three months ended March 31, 2023. This represents approximately 4% growth in revenue for the three months ended March 31, 2024 over the same period in prior year.

Key Operational and Business Metrics

In addition to the measures presented in our condensed consolidated financial statements, we use the following key operational and business metrics to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions:

Cases Performed and Revenue per Case

Our case volumes in the table below, which are used for calculating revenue per case, represent one patient visit; notwithstanding that, a patient may have multiple areas treated during one visit. We believe this provides the best approach for assessing our revenue performance and trends.

Total Case and Revenue Metrics

	Three Months Ended March 31,	
	2024	2023
Cases	3,746	3,640
Case growth	2.9 %	N/A
Revenue per case	$ 12,712	$ 12,586
Revenue per case growth	1.0 %	N/A
Number of facilities	27	23
Number of total procedure rooms	57	49

Same-Center Case and Revenue Metrics

Same-Center Information

For the three months ended March 31, 2024 and 2023, we define same-center case and revenue growth as the growth in each of our cases and revenue at facilities that were owned and operated during the three months ended March 31, 2024 and 2023, respectively. At facilities that were not owned or operated for the entirety of the prior year period, the current year period has been pro-rated to reflect only growth experienced during the portion of the three months ended March 31, 2024 in which such facilities were owned and operated during the three months ended March 31, 2023. We define same-center facilities and procedure rooms based on if a facility was owned or operated as of March 31, 2023.

	Three Months Ended March 31,	
	2024	2023
Cases	3,268	3,640
Case growth	(10.2)%	N/A
Revenue per case	$ 12,637	$ 12,586
Revenue per case growth	0.4 %	N/A
Number of facilities	23	23
Number of total procedure rooms	49	49

Our same-store revenue decline is primarily attributed to weaker than expected performance across the broader aesthetic and consumer retail industries, particularly related to customers that are more price sensitive.

Non-GAAP Financial Measures—Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, and Adjusted Net Income per Share

We report our financial results in accordance with accounting principles generally accepted in the United States of America ("GAAP"), however, management believes the evaluation of our ongoing operating results may be enhanced by a presentation of Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income and Adjusted Net Income per Share, which are non-GAAP financial measures.

We define Adjusted EBITDA as net loss excluding depreciation and amortization, net interest expense, income tax expense, restructuring and related severance costs, loss/(gain) on disposal of long-lived assets, and equity-based compensation.

We define Adjusted Net Income as net income/(loss) excluding restructuring and related severance costs, loss/(gain) on disposal of long-lived assets, equity-based compensation and the tax effect of these adjustments.

We include Adjusted EBITDA and Adjusted Net Income because they are important measures on which our management assesses and believes investors should assess our operating performance. We consider Adjusted EBITDA and Adjusted Net Income each to be an important measure because they help illustrate underlying trends in our business and our historical operating performance on a more consistent basis. Adjusted EBITDA has limitations as an analytical tool including: (i) Adjusted EBITDA does not include results from equity-based compensation and (ii) Adjusted EBITDA does not reflect interest expense on our debt or the cash requirements necessary to service interest or principal payments. Adjusted Net Income has limitations as an analytical tool because it does not include results from equity-based compensation.

We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of revenue. We define Adjusted Net Income per Share as Adjusted Net Income divided by weighted average basic and diluted shares. We included Adjusted EBITDA Margin and Adjusted Net Income per Share because they are important measures on which our management assesses and believes investors should assess our operating performance. We consider Adjusted EBITDA Margin and Adjusted Net Income per Share to be important measures because they help illustrate underlying trends in our business and our historical operating performance on a more consistent basis.

The following table reconciles Adjusted EBITDA and Adjusted EBITDA Margin to net income/(loss), the most directly comparable GAAP financial measure:

	Three Months Ended March 31,	
($ in thousands)	**2024**	**2023**
Net income/(loss)	$ 6,029	$ (14)
Plus		
Equity-based compensation[1]	(6,781)	4,388
Restructuring and related severance costs	296	1,154
Depreciation and amortization	2,805	2,336
Loss/(gain) on disposal of long-lived assets	5	(184)
Interest expense, net	1,532	1,735
Income tax expense	3,451	41
Adjusted EBITDA	**$ 7,337**	**$ 9,456**
Adjusted EBITDA Margin	**15.4 %**	**20.6 %**

(1) As of the three months ended March 31, 2024, this amount contains a cumulative reversal of stock compensation expense of $10.4 million related to reassessing the probability of achieving the performance target on certain of the Company's performance-based stock units. See Note 6 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion.

The following table reconciles Adjusted Net Income and Adjusted Net Income per Share to net income/(loss), the most directly comparable GAAP financial measure:

($ in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net income/(loss)	$ 6,029	$ (14)
Plus		
Equity-based compensation[1]	(6,781)	4,388
Restructuring and related severance costs	296	1,154
Loss/(gain) on disposal of long-lived assets	5	(184)
Tax effect of adjustments	2,331	(459)
Adjusted net income	**$ 1,880**	**$ 4,885**
Adjusted net income per share of common stock [2]		
Basic	$ 0.03	$ 0.09
Diluted	$ 0.03	$ 0.09
Weighted average shares outstanding		
Basic	57,422,058	56,443,370
Diluted	58,415,163	57,309,392

(1) As of the three months ended March 31, 2024, this amount contains a cumulative reversal of stock compensation expense of $10.4 million related to reassessing the probability of achieving the performance target on certain of the Company's performance-based stock units. See Note 6 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion.

(2) Diluted Adjusted Net Income Per Share is computed by dividing adjusted net income by the weighted-average number of shares of common stock outstanding adjusted for the dilutive effect of all potential shares of common stock.

Components of Results of Operations

Revenue

Our revenue is generated from our patented AirSculpt® procedures performed on our patients. We are 100% self-pay and do not accept payments from the U.S. federal government or payer organizations. We assist patients, as needed, by providing third-party financing options to pay for procedures. We have arrangements with various financing companies to facilitate this option. There is a financing transaction fee based on a set percentage of the amount financed. We recognize revenue based on the expected transaction price which is reduced for financing fees.

Our policy is to require full payment for services in advance of performing a procedure. Payments received for which services have yet to been performed for all reported periods are included in deferred revenue and patient deposits on our balance sheets.

Cost of Service (excluding depreciation and amortization)

Cost of service is comprised of all service and product costs related to the delivery of procedures, including but not limited to compensation to our physicians and clinical staff, medical supply costs, and facility-related rent expense.

Operating Expense

Selling, General and Administrative

Selling, general and administrative consists of marketing and advertising expenses we incur to market our patented AirSculpt® procedures to potential patients and general and administrative costs, including rent for our corporate offices.

Selling Expenses

Selling expenses consist of advertising costs for social, digital and traditional marketing and sales and marketing personnel. Our advertising costs include both national and site-based advertising used to generate greater awareness and engagement among our current and potential patients. Our advertising costs include social media, digital marketing and traditional advertising. Selling expenses include salaries and commissions for employees engaged in marketing and sales. We define our customer acquisition costs as the total selling expenses per case.

We generally expect our selling expenses to increase as we continue to grow our brand and expand our national footprint. We evaluate our selling expense as compared to growth in our sales volume and will invest accordingly to the extent we believe we can increase our growth without materially negatively impacting our Adjusted EBITDA Margins.

General and Administrative

General and administrative expenses include employee-related expenses, including salaries and related costs (excluding physician and clinical cost included in cost of service and the salaries and commissions of sales and marketing employees), equity-based compensation, technology, operations, finance, legal, corporate office rent and human resources. We expect our general and administrative expenses to increase over time due to the additional legal, accounting, insurance, investor relations and other costs that we will continue to incur as a public company. We also expect increases from other costs associated with continuing to grow our business. As we continue to expand the number of centers and procedures rooms, we anticipate general and administrative expenses to decrease as a percentage of revenue over time.

Interest Expense

Interest expense, net consists primarily of interest costs on our outstanding borrowings under our debt.

Results of Operations

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

The following table and notes summarize certain results from the statements of operations for each of the periods indicated and the changes between periods. The table also shows the percentage relationship to revenue for the periods indicated:

	Three Months Ended March 31,			
	2024		2023	
($ in thousands)	Amount	% of Revenue	Amount	% of Revenue
Revenue	$ 47,620	100.0 %	$ 45,813	100.0 %
Operating expenses:				
Cost of service	18,042	37.9 %	18,017	39.3 %
Selling, general and administrative[(1)]	15,756	33.1 %	23,882	52.1 %
Depreciation and amortization	2,805	5.9 %	2,336	5.1 %
Loss/(gain) on disposal of long-lived assets	5	— %	(184)	(0.4)%
Total operating expenses	36,608	76.9 %	44,051	96.2 %
Income/(loss) from operations	11,012	23.1 %	1,762	3.8 %
Interest expense, net	1,532	3.2 %	1,735	3.8 %
Pre-tax net income	9,480	19.9 %	27	0.1 %
Income tax expense	3,451	7.2 %	41	0.1 %
Net income/(loss)	$ 6,029	12.7 %	$ (14)	— %

[(1)] As of the three months ended March 31, 2024, this amount contains a cumulative reversal of stock compensation expense of $10.4 million related to reassessing the probability of achieving the performance target on certain of the Company's performance-based stock units. See Note 6 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion.

Overview—Our financial results for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 reflect the addition of four de novo centers which increased our procedure rooms by 8.

Revenue—Our revenue increased $1.8 million, or 3.9%, compared to the same period in 2023. The increase is the result of adding four de novo centers which expanded our footprint from 23 centers to 27 centers and our number of procedure rooms from 49 to 57 as of March 31, 2024.

Cost of Service—Our cost of services was in line with the prior period at $18.0 million for both the three months ended March 31, 2024 and 2023. Cost of service was 37.9% and 39.3% as a percentage of revenue for the three months ended March 31, 2024 and 2023, respectively.

Selling, General and Administrative Expenses—Selling, general and administrative expenses decreased $8.1 million, or 34.0%, for the three months ended March 31, 2024 compared to the same period in 2023. This decrease is related to a decrease in our equity-based compensation expense (see Note 6 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion) partially offset by additional expenses we incurred for marketing and corporate support as we grow our center count through de novo expansion and providing support for our centers. We expect our marketing and corporate support costs to continue to increase as we open de novo centers and expand the support we provide to our centers. Selling, general and administrative expenses as a percent of revenue was at 33.1% and 52.1% for the three months ended March 31, 2024 and 2023, respectively.

Selling expenses consist of advertising costs for social, digital and traditional marketing and sales and marketing personnel. Total selling expenses were approximately $11.2 million and $8.6 million for the three months ended March 31, 2024 and 2023, respectively. Our customer acquisition costs were approximately $2,990 and $2,360 per customer in the three months ended March 31, 2024 and 2023, respectively. We intend to continue investing in our sales and marketing capabilities as we add new centers and further increase our brand awareness, which will also drive further same-center growth. As a result, we expect these costs to increase on an absolute dollar basis. Additionally, selling expenses as a percentage of revenue may fluctuate from quarter to quarter based on the timing and scope of our initiatives and the related impact to our revenue.

General and administrative expenses include employee-related expenses, including salaries and related costs (excluding physician and clinical cost included in cost of service), equity-based compensation, technology, operations, finance, legal, corporate office rent and human resources. General and administrative expenses were approximately $4.5 million and $15.3 million for the three months ended March 31, 2024 and 2023, respectively. This decrease is related to a decrease in equity-based compensation expense (see Note 6 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion). We expect to continue to expand our corporate team to support the opening of new centers and growth at existing facilities.

Depreciation and Amortization—Depreciation and amortization increased to approximately $2.8 million for the three months ended March 31, 2024 compared to $2.3 million for the same period in 2023. This increase is the result of having four additional de novo centers during the three months ended March 31, 2024 as compared to the 2023 period.

Loss on disposal of long-lived assets—We recognized a $5.0 thousand loss related to the disposal of previous long-lived assets as a result of relocations to expand certain centers.

Interest Expense, net—Interest expense was $1.5 million and $1.7 million for the three months ended March 31, 2024 and 2023, respectively. The decrease is due to the voluntary prepayment of $10.0 million of the principal balance of the term loans under the Credit Agreement on September 29, 2023.

Income Tax Expense— Our effective tax rate is 36.4% and 151.9% for the three months ended March 31, 2024 and 2023, respectively. The main driver of the difference between the effective and statutory rate is non-deductible executive compensation under Section 162(m) of the Internal Revenue Code.

Liquidity and Capital Resources

We principally rely on cash flows from operations as our primary source of liquidity and, if needed, up to $5.0 million in revolving loans under our revolving credit facility. Our primary cash needs are for payroll, marketing and advertisements, rent, capital expenditures associated with de novo locations and new procedure room additions, as well as information technology and infrastructure, including our corporate office. We believe that the cash expected to be generated from operations and the availability of borrowings under the revolving credit facility will be sufficient for our working capital requirements, liquidity obligations, anticipated capital expenditures relating to the opening of de novo centers, and the addition of new procedure rooms to our existing locations, and payments due under our existing credit facilities for at least the next 12 months.

As of March 31, 2024, we had $11.0 million in cash and cash equivalents and an available amount of $5.0 million under our revolving credit facility. We do not have any letters of credit outstanding as of March 31, 2024.

As of March 31, 2023, we had $10.3 million in cash and cash equivalents and an available amount of $5.0 million under our revolving credit facility. We did not have any letters of credit outstanding as of March 31, 2023.

The following table summarizes the net cash provided by (used for) operating activities, investing activities and financing activities for the periods indicated:

($ in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash Flows Provided By (Used For):		
Operating activities	$ 3,365	$ 6,219
Investing activities	(1,562)	(3,815)
Financing activities	(1,096)	(737)
Net increase/(decrease) in cash and cash equivalents	707	1,667

Operating Activities

The primary source of our operating cash flow is the collection of patient payments received prior to performing surgical procedures. For the three months ended March 31, 2024, our operating cash flow decreased by $2.9 million compared to the same period in 2023. The decrease is related to our increased investment in customer acquisition during the three months ended March 31, 2024 as compared to the prior year period. At March 31, 2024, we had working capital of $(6.8) million compared to $(4.4) million at December 31, 2023.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2024 and 2023 was $1.6 million and $3.8 million, respectively. Investing activities during both periods were attributable to the expansion of multiple existing facilities and the preparation for the opening of de novo locations. The decrease in investing cash flows during the three months ended March 31, 2024 is due to the opening of the Orange County facility during the three months ended March 31, 2023 with no comparable facility openings in the current year period.

Financing Activities

Net cash used in financing activities during the three months ended March 31, 2024 was $1.1 million. During the three months ended March 31, 2024, we made principal payments on our debt of $0.5 million and made payments of taxes withheld through vested equity-based compensation of $0.4 million.

Net cash used in financing activities for the three months ended March 31, 2023 was $0.7 million. For the three months ended March 31, 2023, we paid cash dividends to shareholders of $0.2 million and made principal payments on our debt of $0.5 million.

Long-Term Debt

The carrying value of our total indebtedness was $71.2 million and $71.6 million, which includes unamortized deferred financing costs and issuance discount of $1.2 million and $1.2 million, as of March 31, 2024 and December 31, 2023, respectively.

On November 7, 2022, the Company entered into a credit agreement with a syndicate of lenders (the "Credit Agreement") maturing November 7, 2027. Pursuant to the Credit Agreement, there is (i) an $85.0 million aggregate principal amount of term loans and (ii) a revolving loan facility in an aggregate principal amount of up to $5.0 million. The proceeds were used, in part, to pay off the Company’s $83.6 million outstanding principal balance under its previous credit facility. On September 29, 2023, the Company voluntarily pre-paid $10.0 million of the principal balance of the term loans under the Credit Agreement using cash on hand.

Under the Credit Agreement, all outstanding loans bear interest based on either a base rate or SOFR plus an applicable per annum margin. The applicable per annum margin is 2.0% or 3.0% for base rate or SOFR, respectively, if the Company's total leverage ratio is equal to or greater than 2.0x. If the Company's total leverage ratio is equal to or greater than 1.0x and less than 2.0x, the applicable per annum margin is 1.5% or 2.5% for base rate or SOFR, respectively. If the Company's total leverage ratio is below 1.0x, the applicable per annum margin is 1.0% or 2.0% for base rate or SOFR, respectively. As of March 31, 2024, the interest rate was 7.83%.

JOBS Act Accounting Election

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Subject to certain conditions set forth in the JOBS Act, if, as an “emerging growth company,” we choose to rely on such exemptions we may not be required to, among other things, (i) provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis), and (iv) disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the CEO’s compensation to median employee compensation. These exemptions will apply for a period of five years following the completion of our IPO or until we are no longer an “emerging growth company,” whichever is earlier.

Critical Accounting Policies and Estimates

A summary of significant accounting policies is disclosed in our Annual Report on Form 10-K dated February 27, 2024 filed with the SEC pursuant to Section 13 or 15d of the Exchange Act, as amended (the "Exchange Act") under the caption “Critical Accounting Policies and Estimates” in the Management’s Discussion and Analysis of Financial Condition and Results of Operations section. There have been no material changes in the nature of our critical accounting policies and estimates or the application of those policies from our Annual Report on Form 10-K dated February 27, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 4. Controls and Procedures

Management’s Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e). Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2024.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the quarter ended March 31, 2024.

Limitations on the Effectiveness of Controls

Our management, including the Chief Executive Officer and the Chief Financial Officer, recognizes that any set of controls and procedures, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of controls. For these reasons, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

During the ordinary course of business, we have become and may in the future become subject to pending and threatened legal actions and proceedings, including with respect to the quality of our services. All of the current legal actions and proceedings that we are a party to are of an ordinary or routine nature incidental to our operations, the resolution of which should not have a material adverse effect on our financial condition, results of operations or cash flows. These claims, to the extent they exceed our insurance deductibles, are covered by insurance, but there can be no assurance that our insurance coverage will be adequate to cover any such liability.

Item 1A. Risk Factors

Except to the extent updated below or to the extent additional factual information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors (including, without limitation, the matters discussed in Part I, "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations"), there were no material changes to the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2023 dated February 27, 2024 and filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the quarter ended March 31, 2024, none of our directors or officers have adopted or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (each as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

Exhibit Number	Description of Exhibit
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*†	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*†	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

† The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing, except to the extent that the registrant specifically incorporates them by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AIRSCULPT TECHNOLOGIES, INC.

By: /s/ Dennis Dean
Dennis Dean
Chief Financial Officer
(Principal Accounting and Financial Officer)

Date: May 10, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd Magazine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AirSculpt Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

AirSculpt Technologies, Inc.

Date: May 10, 2024

By: /s/ Todd Magazine
Todd Magazine
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dennis Dean, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AirSculpt Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

AirSculpt Technologies, Inc.

Date: May 10, 2024

By: /s/ Dennis Dean

Dennis Dean
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of AirSculpt Technologies, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 10, 2024

By: /s/ Todd Magazine

Todd Magazine
Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of AirSculpt Technologies, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 10, 2024

By: /s/ Dennis Dean

Dennis Dean

Chief Financial Officer